

2020 Financial Year Tax Planning Checklist

As the end of the financial year is fast approaching, now is an important time to ensure your tax affairs are in order. This includes consideration of strategies to help manage your taxation obligations by utilising taxation incentives currently available. Outlined below are some tax planning strategies and important reminders.

BUSINESS & OTHER ENTITIES

Instant Asset Write-Off

An immediate deduction for assets purchased is available to eligible businesses. The table below summarises the various thresholds:

Date of acquisition and installation	Asset value	Business turnover threshold
Between 2 April 2019 - 11 March 2020	Up to \$30,000	Less than \$50m
Between 12 March 2020 – 31 December 2020	Up to \$150,000	Less than \$500m

The ATO has also provided an accelerated depreciation method as an alternative to the instant asset write-off which allows businesses to claim a 50% depreciation deduction until June 2021.

Deferring Income

Businesses, subject to cashflow, may consider the deferral of invoicing until July 2020.

Review Depreciation Schedules

Review your Fixed Asset Register and write off obsolete, scrapped or damaged depreciating assets before 30 June 2020 to claim the remaining written down value as a tax deduction.

Bad Debt Write Off

Review your trade debtors to identify any potential bad debts that may be eligible to be written off by 30 June, to claim a tax deduction in this financial year. There are certain actions that need to be undertaken to classify a debt as “bad” which should be reviewed prior to 30 June.

Timing of Deductions

If cash flow permits, you may consider the acquisition of deductible replacement tools, equipment and consumable supplies (office stationery, protective clothing etc.) to bring forward deductions into the 2020 financial year.

Prepaid Expenses

Small Business Entities can claim a tax deduction for prepaid expenditure, where the value is greater than \$1,000, and the prepaid expense covers a period of no longer than 12 months. You may wish to consider prepaying expenses prior to 30 June, such as insurance and rent.

Expense Accruals

Businesses that account on an accruals basis may want to consider accruing additional expenses incurred in the current financial year to claim additional tax deductions. Common examples include commissions, rent, and wages.

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Stock Take

The value of closing stock directly affects your business' profit, the higher the stock value the higher the profit and tax. Subject to some exceptions for Small Businesses with minimal stock, you must count your stock as at 30 June. As part of the stocktake you should identify any obsolete, old or damaged stock which can be written off or written down to its realisable value.

Company Tax Rate

Companies with an aggregated turnover of less than \$50 million continue to be eligible for the 27.5% corporate tax rate. The next company tax rate change to 26% is currently scheduled to take place in the 2021 financial year.

Dividends and Franking Credits

The rate at which dividends can be franked has changed and is dependent on the activities that the company engages in. It is important to confirm your franking percentage with our office prior to declaring and issuing dividends and statements to shareholders. Particular attention will be required in the 2021 financial year in line with the company tax rate changes.

Division 7A Shareholder Loans

Shareholders or associates of private companies who have borrowed money from the company using Division 7A loan mechanisms should ensure they make any necessary minimum loan repayments before 30 June 2020. The interest rate for the 2020 financial year for Division 7A loans is 5.37%.

Trust Distribution Minutes

Discretionary trusts must prepare minutes or resolutions in the form required by the ATO and their trust deed to validly distribute the trust's income on or before 30 June of each year. Failure to do so can result in the trustee being taxed on the trust's taxable income at 47%.

INDIVIDUALS

Capital Gains

If you have made a capital gain during the financial year you may want to review your wider investment portfolio and consider realising any underperforming investments and realise capital losses, subject to "wash sale" rules, to offset the capital gain and reduce tax payable in 2020.

Motor Vehicle Deductions

Deductions for motor vehicles can be determined by using either the cents per km method or logbook method. Please ensure you have a valid up to date logbook for the 2020 financial year or can substantiate the kilometres travelled. Logbooks must be maintained for a period of 12 continuous weeks and are valid for five years.

Work Related Deductions

When preparing for your 2020 tax return it is important to consider gathering receipts for deductions paid throughout the financial year. You may consider incurring some of the following work related expenses before 30 June:

- Work related travel
- Use of personal mobile phone
- Self education expenses
- Seminars
- Assets purchased for work related use

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COVID-19

Beware of scams

There are a number of scams that target small business and individuals, particularly around tax time. It is important to not provide sensitive information such as Tax File Numbers and bank details via email or over the phone.

https://www.lombardipartners.com.au/uploaded_files/media/158563577631.03.20_update_bulletin.pdf

https://www.lombardipartners.com.au/uploaded_files/media/15862366047.4.20_bulletin_mitigating_downturn_and_working_from_home.pdf

Home Office Deductions

The ATO has implemented a shortcut method for home office expenses, this method being 80c per hour worked from home. This is an attempt to help cover the running expenses incurred that would not normally be. Please use the link below to read more:

https://www.lombardipartners.com.au/uploaded_files/media/working_from_home.pdf

Administration and Incentive Measures

We have previously released bulletins detailing the administrative and government incentives available as a result of COVID-19. These bulletins can be viewed using the links below:

OTHER

Superannuation checklist

We have previously released a 2020 checklist for superannuation, please use the link below to read more:

https://www.lombardipartners.com.au/uploaded_files/media/eofy_super_checklist_2020.pdf

When making employer superannuation contributions using a superannuation clearing house, you are required to make payment by the 23rd of June in order to allow sufficient time for the clearing house to process and allocate the payment, This will ensure that the payment is tax deductible this financial year.

[Contact Us... to discuss any of your year-end tax planning requirements.](#)



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